22 February 2023	ITEM: 10 Decision: 110638
Cabinet	
Draft 2023/24 Budget	
Wards and communities affected: All	**Key Decision:** Key
Report of: Jonathan Wilson, Interim Director of Finance, Cllr Graham Snell, Portfolio Holder for Finance	
Accountable Assistant Director: N/A	
Accountable Director: Jonathan Wilson, Interim Director of Finance	
This report is public	

Purpose of the Report

The report sets out the Section 151 (S151) Officer's statement on the adequacy of reserves, the robustness of the 2023/24 revenue budget, and the medium-term financial outlook. The report also includes the financial impacts associated with the updated Capital and Treasury Management Strategy.

This report is required to support the Council to set a legally, balanced budget for 2023/24.

This budget is set in the context of the scale of the financial risk faced by the Council which has been provisionally quantified as part of the Quarter 2 financial report presented to Cabinet on 14 December 2022. This confirmed a projected gross funding gap of £469m for 2022/23 and a further projected funding gap of £184m in 2023/24. This confirmed the need for exceptional financial support from government. This is because the actions the Council can take to mitigate the scale of financial losses reflected will not be sufficient to address these losses. Consequently, there is no clear path to financial sustainability without exceptional support from government and discussions continue with officials at DLUHC to consider this position.

This budget is set based on the assumption that the exceptional financial support request made to DLUHC in December 2022 (attached at Appendix 3) will be granted which enables a balanced budget to be set. This exceptional financial support will require the Council to take all possible steps available to mitigate the financial deficit.

The indicative net cost of services budget is £327.647m as set out in section 8.

1. Recommendations

1.1 That Cabinet comment on the proposed updates to the Medium-Term Financial Strategy including the deficit positions set out in each year,

1.2 That Cabinet note on 6 February 2023 Thurrock Council was granted permission by the levelling up minister to raise council tax by an extra 5% to 10% without the need for a local referendum

1.3 That Cabinet note the paper assumes a council tax increase of 7.99%, as per paragraph 9.6

1.4 That Cabinet supports a 2% Adult Social Care precept increase as per paragraph 9.6 and note that this will be used to fund increased demand and provider fees within older people care services,

1.5 That Cabinet note the council tax requirement of £82.355m as per section 8,

1.6 That Cabinet note the net cost of services requirement is £327.647m as per paragraph 8.1,

1.7 That Cabinet note the proposed savings as per section 12 and Appendix 4 and note these are insufficient to address the funding gap without the need to seek exceptional financial support from Government,

1.8 That Cabinet note that exceptional financial support is required to balance the 2023/24 budget and that discussions with Central Government are ongoing, as per Appendix 3,

1.9 That Cabinet note the budget has been set based on the assumption that the request for exceptional financial support in respect of the 2022/23 budget deficit is granted,

1.10 That Cabinet note the changes to the capital programme as set out in this report and associated Appendices,

1.11 That Cabinet note the impact of new Prudential Borrowing on the debt levels of the Council as set out in Appendix 5,

1.12 That Cabinet note the capital programme will be subject to a further review as set out in the report and following the issue of a Section 114 Notice,

1.13 That Cabinet note the projected revenue impact of the Minimum Revenue Provision (MRP) costs as set out in Section 14.25,

1.14 That Cabinet comment on the proposed delegation to Cabinet to approve additions to the programme based on the criteria set out in section 14.24,

1.15 That Cabinet note the Dedicated School's Budget is set at £51.258m as per paragraph 15.13,

1.16 That Cabinet comment on the draft budget proposals within this report to inform the final budget proposals to be presented to Full Council on 1 March 2023,

1.17 That Cabinet note further reviews have been commissioned into the fees and charges policy and the pay policy as per paragraph 9.23 and 10.4 respectively,

1.18 That Cabinet notes the Council's position on Reserves, recognising the unique situation the Council faces and a need to revisit the adequacy of Reserves as savings and service transformation are affected during 2023/24,

1.19 That work on the budget will continue during 2023/24, with more savings required to Council services.

2. Government Intervention & Section 114

2.1 In July 2022, the Council was made aware of significant concerns around the valuation of specific investments. A review process commenced, and the initial review highlighted significant concern with three investments and the position was shared informally with the Department of Levelling Up, Housing and Communities (DLUHC).

2.2 On the 2 September 2022 DLUHC announced directions to implement an intervention package at the Council.

2.3 The Secretary of State exercised his powers under section 15(11) of the Local Government Act 1999 to give a Direction without complying with the requirement at section 15(9) to give Thurrock an opportunity to make representations about the Directions, as he considered the failures of the Council's compliance with its Best Value duty in respect of the functions specified in the Directions sufficiently urgent. This was because of the following:

- the scale of the financial and commercial risks potentially facing the Authority, which were compounded by the Authority's approach to financial management and the seriousness of the allegations that were made by third parties about the processes applied to the operation of the Authority's commercial strategy, and;

- the failure of the Authority to provide assurance to Ministers and the Department on the adequacy of the actions that they were taking to address the issues, taking account of the scale and pace of the response required.

2.4 The Secretary of State nominated Essex County Council to the role of Commissioner.

2.5 The Directions issued required the Council to prepare and agree an Improvement Plan within three months and to include as a minimum:

a) an action plan to achieve financial sustainability and to close any short and long-term budget gaps identified by the Authority across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan
b) an action plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable
c) a strict debt reduction plan and an updated minimum revenue provision (MRP) policy
d) an action plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority; and
e) a suitable scheme of delegations for financial decision-making.

2.6 The Council has developed an Improvement and Recovery Plan in response to the directions which includes items a) to e). This was shared with DLUHC in line with the agreed timescales.

2.7 On 19 December 2022, the Council's Acting Director of Finance & Section 151 Officer issued a report under Section114 of the Local Government Finance Act 1988. This advises Councillors that the Council faces 'a financial situation of an extremely serious nature'.

2.8 As part of the intervention process the scale of the financial risk faced by the Council was provisionally quantified as part of the Quarter 2 financial report presented to Cabinet on 14 December 2022. This confirmed the need for exceptional financial support from government. This was because the actions the Council was able to take to mitigate the scale of financial losses reflected were not sufficient to address these losses. Consequently, there is no clear path to financial sustainability without exceptional support from government. Discussions continue with officials at DLUHC to consider this position.

3. Assurance Statement of the S151 Officer

3.1 The wider context of the Council's position is set out in section 2 above. The Council has taken steps to develop plans to address the directions of the Secretary of State and further information is provided below:

a) The Council has developed a 20-year financial strategy which considers a range of assumptions to consider the impact on the ongoing annual deficit position. These assumptions include variable levels of Council Tax (with reference to the most comparable authorities) and collection rates, variable levels of asset disposals and assumes the application of minimum revenue provision updated to reflect the proposed new policy. This has enabled an assessment of the impact of exceptional financial support over the medium to longer term and informed discussion with officials at DLUHC.

b) The Council has developed new Capital and Treasury Management strategies which are included on the agenda. This reflects the revised approaches to investments and wider actions taken since intervention. This includes the revised MRP policy which supports the write down of investments over their useful lives.

c) The Council has taken actions to support a strict debt reduction plan. This includes decisions on the most significant investment held by the Council. This also includes an assessment of the Capital Programme and the Council is developing plans for the divestment of the wider investment assets and property asset sales to support the further reduction of debt.

d) The Council is conducting a wider review of financial governance to ensure it is fit for purpose and, when available, addresses the full findings of the Best Value Inspection. Since intervention, the Council has ensured the nature of all financial decisions are agreed with Commissioners and, as required, financial decisions are taken appropriately by members.

e) Financial delegations have been reviewed and will be subject to a wider review of the Council's governance. As noted above, all key decisions since intervention have been taken with reference to Commissioners and we have ensured there is appropriate oversight from Cabinet members.

3.2 The work conducted on the MTFS has confirmed the impact of the financial pressures faced by the Council mean the proposed budget can only be delivered with confirmation of Exceptional Financial Support from government.

3.3 The budget has been set in the context of the actions taken to date and the MTFS will continue to be reassessed alongside the delivery of the improvement and recovery plan.

3.4 In this context, I have examined the budget proposals and, whilst the spending and service delivery proposals remain challenging, they are considered achievable in the context of the improved financial governance processes that are being implemented at the Council and with wider assurance mechanism in place to deliver transformational change at the Council. However, the process of transformation can only be supported by ongoing exceptional financial support from Government and, in turn, this first requires the Council to take all available action to mitigate the projected financial deficits. On that basis this report assumes Cabinet support a 9.99% increase in Council Tax and deliver the savings set out.

3.5 A savings programme has been developed to support the budget position set out in this report with a wider transformational proposal being developed which will further address the deficit positions set out in the MTFS. These programmes are underpinned by a delivery risk assessment process which addresses issues identified in respect of the delivery of savings in 2022/23. The process will ensure regular, appropriate challenge of officers on the delivery of savings and ensure there is regular reporting to officers and members to enable assessments on the delivery of the overall savings programme and allow the Council to address issues as they arise. This will be delivered by the transformation team in conjunction with the responsible officers. However, it should be emphasised that further savings and organisational transformation will be required in 2023/34 and beyond to address the gravity of the Council's financial position.

3.6 The level of reserves remains under consideration and is a holding position as the Council reassesses the ongoing requirements required as the wider financial issues are addressed. A longer-term reserves strategy will be set once there is further clarity. In the meantime, the Council faces risks and volatility of demand, prices, and inflation. We will continue to report fully each quarter to Cabinet on the reserves position. The reserves are considered adequate to address operational pressures but are clearly insufficient to address the overall financial deficits set out in the report as set out in section 16.

3.7 Whilst the budget shown for 2023/24 is balanced with exceptional financial support from government, there remains a gap between our estimated spend and assumed funding from 2024/25 and as set out in the MTFS and there is not yet a clear path to financial sustainability from the initial modelling that has been completed.

3.8 The Government's one-year local government financial settlement for 2023/24 and linked Policy Statement has given some additional certainty around the future of many general government grants for the next two financial years. However, there remains uncertainty around the future of general government grants from 2025/26 onwards. Additionally, there is no confirmation of how the Social Care grant, Services grant, and other grants announced in the settlement will be allocated from 2024/25 onwards. This presents further risk to the financial stability of the Council if these grants were to be discontinued, or if the Council's allocation were to reduce.

3.9 Whilst many of the financial challenges that the Council faces originated from the investment strategy, as we have unwound that position it is apparent that there are some systemic weaknesses in the revenue budget. The savings identified in the budget for 2023 and an increase in Council Tax will need to be supplemented during 2023/24 with further service and transformational savings as well as a firmer focus on the fees and charges for our services. In approving this budget Members will need to expect further adjustments during the year.

3.10 It is imperative the Council continues to address the significant financial issues and maintains focus on seeking solutions to deliver financial sustainability over the medium to longer term. This inherently requires a focus on the significant transformation required at the Council alongside using all the available levers available to the Council to seek a solution.

4. Statement of the Commissioner

4.1 The Council is recommending a budget to Cabinet, which can be balanced subject to agreement of a package of Exceptional Financial Support for both 2022/23 and 2023/24 from government as outlined in section 3.7; together with an increase in council tax of 9.99% in total.

4.2 With respect to the September 2022 directions from the Secretary of State, the budget represents progress as highlighted below. However, it is essential to note considerable further work is required to deliver action to support financial sustainability, which will result in further material changes to the 2023/24 budget (and as will be set out in further reports to Cabinet). This includes but is not restricted to (i) a full review of fees and charges by Quarter 1 (ii) identification of further savings, notably through review of Transformation opportunities and service redesign (iii) review of capital programme & (iv) review of pay policy and enactment of that policy. There is an unquantified risk in the capital programme of abortive costs – a number of projects have been put on hold, pending review as set out in Appendix 6; it is possible that further costs will be incurred, either of the associated borrowing to complete the programme or the abortive costs of cessation, and this will cause further costs not currently quantified in the budget which would need to be offset by new savings. These will need to be quantified no later than the Quarter 1 Cabinet report in 2023/24.

4.3 The s151's section 25 statement sets out the position with respect to the low level of reserves. Upon the determination of a more stable financial base it will be necessary to reassess and increase reserves, which will inevitably have further impact on future revenue budget of Thurrock and future capitalisation directions. However, sufficient revenue has been set aside in 2023/24 to meet known transformation and intervention costs.

4.4 The position on directions* is as below:

*Excluding directions (d) and (e) which pertain to financial management and delegations form part of the Improvement Recovery Plan)

a) deliver an action plan to achieve financial sustainability and to close any short and long-term budget gaps identified by the Authority across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan

It is not possible for the Council to achieve financial sustainability without exceptional financial support from Government. For those elements within Thurrock's control some progress has been made on action to support financial sustainability for the 2023/24 budget – notably on a plan for divestment and debt reduction; an assets disposal programme*; identification of early savings for 2023/24; a clear strategy on council tax and a first review of the capital programme to reduce unsupported borrowing.

*external validation of capital receipt values will be reported to Cabinet in Q1, albeit the disposals value have been through an internal professional assessment.

b) *deliver action plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable & c) a strict debt reduction plan and an updated minimum revenue provision (MRP) policy*

The Cabinet report recommends a new Treasury Strategy which is compliant with the 2021 CIPFA Prudential Code for Capital Finance. There is a clear plan for divestment of commercial assets over the medium term; a plan to secure residual value of those commercial assets; and a plan for capital receipts from property disposals. The impact of these plans is reflected in the budget recommended to Cabinet.

However, this alone does not lead to a position of financial sustainability for Thurrock over the short, medium or long term; although there is significant action planned in accordance with the financial directions as set out above. As referenced in the s114 notice, "this is a pattern that continues for later years & further assistance will be required including Capitalisation Directions covering future financial years".

5. Background

5.1 The S151 Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act.

5.2 The budget is a financial plan for the forthcoming year and needs to be considered alongside the Improvement and Recovery Plan that has been developed following Government intervention.

5.3 Through this Improvement and Recovery Plan we articulate the short, medium, and longer-term actions that we will focus upon to turn around the council.

5.4 Our key ambitions are:

- **Agree and embed a new vision, values, and culture across all levels of the organisation** and between officers and members based on openness, transparency, trust, and accountability.

- **Reduce our borrowing as quickly as possible** through compliant treasury management and reduced capital programmes and a managed investment divesting programme alongside development of a new commercial strategy and framework.

- **Achieve financial sustainability as quickly as possible** through a rigorous programme of asset sales, legal recourse, revenue maximisation including council tax increases, decommissioning and service rationalisation, service transformation, cost control and growth. We will move to a position of no more than median spend on all council services compared to our CIPFA comparator group unless there is a strong business case not to do so.

- **Embed a system of strong governance across the organisation** based on a comprehensive governance review and including an effective scheme of delegations for financial decision-making.

- **Develop a new locality based preventative integrated operating model** for people services. Fewer blended roles will deliver more functions in collaboration with residents and health/third sector partners to reduce demand and cost on our highest cost front doors.

- **Capitalise on Thurrock's growth opportunities** by developing a cogent strategic vision for place leadership and growth, recognising our current financial constraints, facilitating more and direct delivering less.

5.5 The budget is delivered through Cabinet Members who have a portfolio responsibility for relevant services. The 2023/24 budget proposals are presented in line with the portfolio holder responsibilities agreed in September 2022.

6. Current Financial Context

6.1 Separate to the financial issues specifically set out in preceding sections of this report, like many other Local Authorities, Thurrock Council continues to operate within a volatile financial climate. Wider inflationary increases peaked at a 40 year high in 2022/23 and increased inflation levels are expected to continue into the forthcoming financial year. Current inflation levels are still circa 10%.

6.2 The council is faced with inflationary increases related to pay, energy, variable cost elements within external contracts and the general increase of the cost of goods & services throughout the supply chain. Increases in the National Living Wage particularly affects the cost of front-line care delivery within Adult Social Care.

6.3 Adults & Children's services account for 60% of the operational gross expenditure budget and the ongoing impact of the pandemic on demand for support continue to materialise. Coupled with increased complexity of care need and general demographic growth requirements, this has led to a heavy reliance on the use of one-off reserves in 2022/23 to offset in-year pressures. Uncertainty around potential care reforms leads to difficulty in both service and resource planning in this area over the longer term.

6.4 The Quarter 2 forecast outturn report presented to Cabinet in December 2022 set out a number of key variances within the operational budgets exceeding £10m, reducing to £1.7m after the application of earmarked reserves. These ongoing pressures are addressed in subsequent sections of this report.

6.5 The Council needs to demonstrate it is taking all possible action to reduce the financial funding gap it faces alongside the wider work required to address the investment strategy issues.

7. Medium Term Financial Strategy

7.1 This report proposes a balanced budget for 2023/24 with the assumption that the current projection of exceptional support from government of £180.159m will be granted. At time of writing, discussions are ongoing with Central Government. The form the support mechanism remains to be confirmed and so the support is presented as a balancing figure addressing the remaining deficit within all supporting tables of the report.

7.2 There is reliance on the achievement of departmental savings and an increase in council tax of 9.99% including a proposed Adult Social Care precept of 2%.

MTFS Category	*Section in Report*	**2023/24 £000's**	**2024/25 £000's**	**2025/26 £000's**
Council Tax - Collection Fund	*Section 9*	(9,855)	(2,838)	(3,240)
Business Rates Position		(12,395)	1,729	(665)
Government Resources Position		(2,407)	(148)	(151)
Inflation and other increases	*Section 10*	12,058	5,610	5,753
Adult Social Care demand growth	*Section 12*	4,746	3,901	3,237
Children's Social Care growth		1,250	863	906
2022/23 Budget Monitoring Pressures	*Section 11*	8,591		
Intervention Costs		6,206	(2,781)	(3,425)
Use of Non-recurrent funding	*Section 16*	17,631	(9,515)	
Departmental Savings	*Section 13*	(8,145)	(12,077)	(12,462)
Net position after provisional savings and before treasury		**17,720**	**17,679**	**(15,255)**
Total Treasury Adjustments	*Section 14*	61,605	(7,369)	(12,684)
Prior years capitalisation		25,918	13,778	(10,670)
MRP on investments		74,956	(15,065)	(54,181)
Total Council Net budget variance		**180,159**	**(23,911)**	**(87,583)**
Exceptional Government Support Requirement		***(180,159)***		

7.3 Appendix 1 shows further detail for each section with key assumptions used within the MTFS calculations.

7.4 Further supporting narrative can be found in subsequent sections of this report as per the references above.

7.5 To recognise the challenge an increase of Council Tax of 9.9% presents to residents a Hardship Fund of £616,000 has been included in the budget for 2023/24.

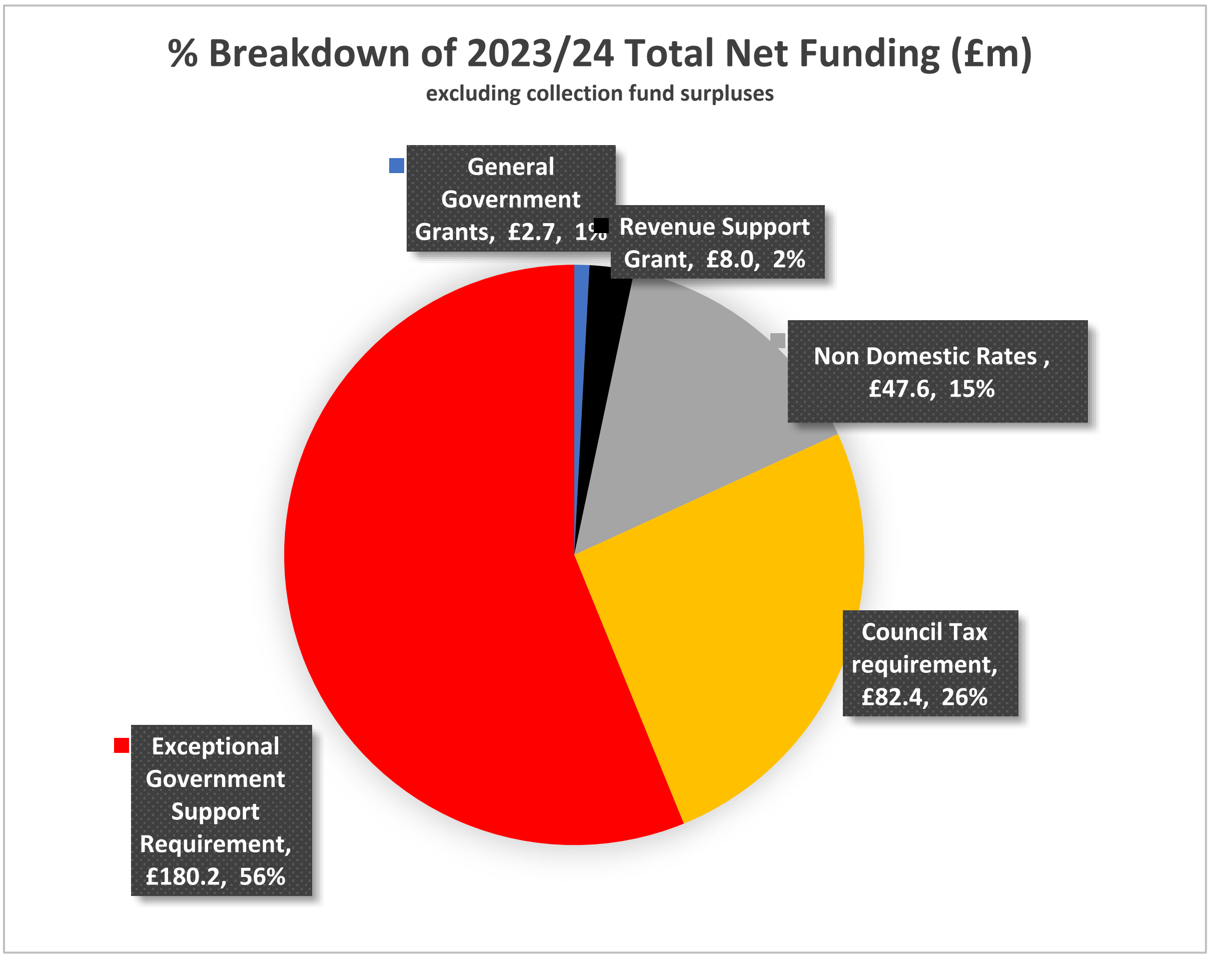
8. Revenue Budget

8.1 If the recommendations proposed and set out in this report are supported by Council, this will support a planned spend of £511.847m (including schools/DSG). This is £188.072m more than the 2022/23 budget allocation. The 2023/24 net cost of services is proposed to be £327.647m as shown in the below table:

Budget Breakdown	2022/23 Revised Budget £'000	2023/24 Indicative Budget £'000
Gross Expenditure	323,775	511,847
Deduct:		0
Income	(82,908)	(51,805)
Specific Grants - Better Care Fund	(22,692)	(22,692)
Specific Government Grants - Dedicated Schools Grant	(46,900)	(51,258)
Specific Government Grants (excluding DSG)	(54,875)	(58,446)
Subtotal: Net cost of Services	**116,400**	**327,647**
General Government Grants	(5,157)	(2,686)
Revenue Support Grant	(7,056)	(7,967)
Non-Domestic Rates	(39,768)	(47,592)
*Non-Domestic Rates Collection Fund surplus/(deficit) **	10,076	(4,894)
Council Tax requirement	(74,451)	(82,355)
2023/24 Council Tax Hardship Fund		616
*Council Tax Collection Fund Surplus** **Subtotal: Total funding**	(44) **(116,400)**	(2,611) **(147,488)**
Exceptional Government Support Requirement	**0**	**(180,159)**
Balanced budget	0	0

*Estimate of the variation of actual council tax and non-domestic rates revenue 2022/23 compared to the budget (technical adjustment)

8.2 The exceptional government support requirement accounts for 56% of the overall funding requirement in 2023/24:



8.3 Appendix 2 sets out the net cost of services revenue budget allocation across each portfolio in more detail and the summary is set out below:

Portfolio	**2022/23 Revised budget £'000**	**2023/24 Indicative budget £'000**
Adults & Health	49,458	51,896
Central Services	15,559	15,836
Children & Education	41,444	45,151
Culture & Communities	2,313	2,328
Environment	21,963	23,903
Finance	5,783	6,346
Growth	8,523	8,193
Housing	1,581	1,255
Transport & Public safety	11,729	11,567
Finance - Central Financing	(851)	(1,417)
Finance - Other Operating Costs	(22,107)	19,106
Finance - Treasury	(18,996)	143,484
Grand Total	**116,400**	**327,647**

9. Taxation & Other Funding

Report Reference	MTFS Category	2023/24 £'000
Section 7	Council Tax - Collection Fund	(9,855)
	Business Rates Position	(12,395)
	Government Resources Position	(2,407)

9.1 Under the draft referendum principles published by the Department for Levelling Up, Housing and Communities, a referendum cap is in place for the core Council Tax element at 3%. Including the additional 2% funding for Adult Social Care this enables the authority to raise up to 5% in additional funding without requiring a local referendum. On 6 February 2023 Thurrock Council was granted permission by the Levelling Up Minister to raise the tax by an extra 5% (to 10% in total) without the need for a local referendum.

9.2 In the current financial context, as set out earlier in the report, the Council needs to demonstrate it is taking all possible action to reduce the financial funding gap faced by the Council. In this context Council Tax is assumed to be raised to the referendum limits.

9.3 Historically, Council Tax has not been set up to the referendum limit and hence it is important to consider the impact of this in the context of comparator authorities.

9.4 An assessment has been made of current Council Tax levels with peer group comparator authorities. On average, this demonstrates that Thurrock's band D council tax level is 11.6% lower than peer authorities as set out in the table below. If the peer group authorities continue to raise Council Tax to referendum levels, the Council will continue to raise significantly less income from Council Tax than the wider peer group. This should be considered further in the context of the impact on the ability of the Council to contribute to the resolution of its financial issues.

Authority	Council Tax Base 2021/22	Council Tax Base 2022/23	Collection Rate 2021/22	Collection Rate 2022/23	Average Band D 2021/22	Average Band D 2022/23	% increase to Thurrock Band D
Thurrock	51,331	52,179	99.00%	99.00%	1,399.32	1,441.26	-
Trafford	77,324	78,743	98.05%	98.55%	1,410.83	1,453.01	0.8%
Peterborough	60,347	61,153	98.50%	98.50%	1,478.77	1,523.30	5.7%
Telford and the Wrekin	52,613	54,256	99.25%	99.25%	1,517.15	1,530.71	6.2%
Slough	41,577	43,061	98.20%	98.20%	1,494.84	1,539.56	6.8%
Bracknell Forest	47,579	48,207	99.53%	99.53%	1,481.34	1,545.68	7.2%
Wakefield	104,171	106,226	98.00%	98.50%	1,497.11	1,556.84	8.0%
Southend-on-Sea	60,444	60,914	97.00%	97.00%	1,502.28	1,562.06	8.4%
Medway	88,946	89,947	97.60%	97.60%	1,551.48	1,598.14	10.9%
Bolton	77,838	79,383	98.00%	98.00%	1,573.79	1,622.89	12.6%
Milton Keynes	88,515	91,834	97.40%	98.40%	1,570.74	1,629.64	13.1%
North Northamptonshire	113,641	114,769	98.46%	98.50%	1,588.24	1,638.87	13.7%
Warrington	69,724	70,240	99.00%	99.00%	1,602.82	1,651.20	14.6%
Swindon	77,091	77,620	98.80%	98.80%	1,612.64	1,661.17	15.3%
Stockton-on-Tees	58,260	58,655	98.25%	98.25%	1,730.23	1,780.77	23.6%
Reading	56,698	57,928	98.50%	98.50%	1,776.60	1,829.72	27.0%
						Average	**11.6%**

Table as per published government statistics

9.5 Local authorities with social care responsibilities can increase council tax by a further 2% through the ‘Adult Social Care precept’, with the funding ring-fenced for expenditure on adult social care. In the context of pressures in the sector and the wider financial position, it is proposed the full adult social care precept of 2% is raised, yielding £1.50m. It is critically important for the delivery of adult social care services, that the revenue in the base budget is sufficient to meet the needs of the Council and specifically address the ongoing cost pressures on the adult social care budget as outlined in section 10.

9.6 Increases to the social care precept alongside an increase to the general level of council tax is expected to yield an additional £7.90m in 2023/24.

Element	Tax Rise %	Increase Tax Yield £m
2023/24 Council Tax Rise	7.99%	5.98
2023/24 Adult Social Care Precept	2.00%	1.50
2023/24 Increase in Council Tax base		0.43
Total Increased Council Tax Yield for 2023/24 at existing limits	**9.99%**	**7.90**
NOTE THIS IS NOT A DETERMINATION OF COUNCIL TAX		

9.7 Council tax collection has remained relatively resilient during 2022/23, however given the level of Council Tax increase that is being recommended, coupled with the short-term projected outlook, the recommendation is to set a collection rate of 98% in 2023/24.

9.8 The tax base for 2023/24 is 51,953 Band D equivalent properties, this is an increase of 0.57% in terms of the number of Band D equivalent dwellings in 2022/23. This brings in a total budgeted council tax of £82.36m. Thurrock has an estimated 6,399 households claiming some form of Local Council Tax Support Scheme (LCTS). If Thurrock Council's element of the council tax is increased by 9.99% (comprising of an 7.99% increase in general council tax and 2.0% adult social care precept), this would result in the Thurrock Council element of the council tax being £1,585.17 for a Band D property in 2023/24. A full list of bands is as follows:

Band	**Council Tax Levels 2022/23**	**Council Tax Levels 2023/24**
A	£ 960.84	£ 1,056.78
B	£ 1,120.98	£ 1,232.91
C	£ 1,281.12	£ 1,409.04
D	£ 1,441.26	£ 1,585.17
E	£ 1,761.54	£ 1,937.43
F	£ 2,081.82	£ 2,289.69
G	£ 2,402.10	£ 2,641.96
H	£ 2,882.52	£ 3,170.35

The estimated Council Tax collection fund surplus at the end of the year of 2022/23 is £2.6m

Non-Domestic Rates

9.9 Thurrock Council is not currently part of business rate pool, meaning that a levy applies to any level of additional business the Council receives above the Nationally determined base line. This is an area that will be explored fully in 2024/25 with a view to ascertaining if there are opportunities to join a pool and secure the associated financial benefit. The business rates pool is a collaboration with other local authorities, which is subject to legislative agreement and formal application to central government.

9.10 It is estimated non-domestic rates for 2023/24 will yield retained income of £47.6m, compared to £39.8m in 2022/23. This is supported by compensation grants from government to offset the specific reliefs provided to businesses announced in the Autumn Statement. The breakdown between the funding raised through the system and the grant funding is:

Core NNDR Funding	£34.64m
Grant Funding	£12.95m
Total	**£47.59m**

9.11 The grant elements have a higher level of inherent risk as they are subject to ongoing government support for the funding mechanism. These are set out in the following paragraph and this impacts on the overall sustainability of the funding base. More widely, there remains outstanding the possibility of wider funding reform which is likely to include a reset of the business rates system. This may impact baseline funding levels in the future but there is no agreed timeline for delivery to date.

9.12 As part of the Chancellor's Autumn Statement, central government announced increases to business rate relief and financial support for local businesses in 2023/24. This support includes increasing the reduction in rates paid by businesses in the retail, hospitality, and leisure sectors from a 50% reduction in business rates paid in 2022/23, to a 75% reduction in 2023/24.

9.13 The government also announced the continued freeze of the business rates multiplier for the next two years and temporarily capping the increase in rates paid by businesses if their premises is due to experience an upwards revaluation as part of the national revaluation that will come in to effect from 1st April 2023. Local authorities will be fully compensated for these policies, and therefore the Council is forecasting a Section 31 Grant of £12.95m in 2023/24.

The estimated NNDR collection fund surplus at the end of 2022/23 is £ 4.89m.

<u>Government Grants</u>

9.14 The Local Government Finance Settlement from Central Government confirmed the majority of announcements in the Autumn Statement as set out in the following paragraphs.

9.15 The Services grant will continue into 2023/24, but with a substantial reduction in the amount of funding provided. The Council will receive £1.3m in 2023/24, which is a £1.259m reduction in funding compared to last year.

9.16 It was also announced there will be additional general funding for social care, from which the Council will receive an extra £3.97m compared to 2022/23 allocations.

9.17 The additional funding in 2023/24 has enabled the Council's increased investment in social care given the pressures faced (as set out in section 12).

9.18 In addition, the Council has also received an additional £1.090m in the ASC Market Sustainability and Improvement Fund. This funding is targeted at increasing the residential and Homecare rates which it pays to external care providers, in addition to inflationary uplifts.

9.19 The Settlement also confirmed the continuation of the Revenue Support Grant (RSG) of £7.97m. The medium-term financial strategy currently assumes that RSG will continue at this level, however there is no formal confirmation from government of funding from 2025/26 onwards and so will need to remain under review.

9.20 These grants are only confirmed for the year to 31 March 2024. Consequently, the Council continues to plan on a broad range of funding assumptions without the certainty that a multi-year agreement would support. The change in grant funding compared to the prior year is set out below:

Core Spending Power Grants	**Movement in Funding**
	£'000
Central Funding	
Lower Tier Services Grant	213
Revenue Support Grant	(910)
New Homes Bonus	1,259
Social Care Grant	(3,968)
Service Grant	999
Total Core Spending Power Grants	**(2,407)**

9.21 The Dedicated Schools Grant (DSG) funding for 2023/24 increases by £15.1m. With increases to the Schools Block (£10.3m), High Needs Block (£4.1m), Early Years Block (£0.8m) and a decrease to the Central Services Block (£0.055m). This was only a one-year funding announcement.

9.22 Furthermore, we rely on an amount of income from fees and charges, budgeted at £7.462m in 2023/24, (compared to £7.528m budget and £7.192m forecast in 2022/23); this is a 4% increase on our current anticipated recovery levels.

9.23 During the preparation of this budget, it became apparent that a more detailed review of our fees and charges, as well as a clearer policy on when they will be applied, is necessary. As part of that review, we will also consider our fees and charges compared to our peer group of Councils.

9.24 Therefore, the Fees and Charges targets included in this report will be subject to greater analysis, within the context of a revision to our strategy for raising income. A report will be brought back to Cabinet in Quarter 1 2023/24. This process will be managed alongside the rest of our intervention programme.

10. Growth allocations (non-social care)

Report reference	MTFS Category	2023/24
		£000's
Section 7	**Inflation and other increases**	**12,058**
	Allocated as follows:	
	a. Pay inflation	7,292
	b. Pension Deficit Adjustment	1,000
	c. Fuel inflation	350
	d. Energy Inflation	2,252
	e. Waste Inflation	1,164

Inflation & Other increases

Pay inflation assumptions

10.1 The Council's cost of living increase within the pay policy is set locally with reference to the National Negotiating committee position and an agreement to match the headline increases over a 5-year period.

10.2 On this basis, pay inflation has been calculated using an indicative 4% pay increase across all pay bands in 2023/24. Incremental pay progression through the pay scales is assumed for each eligible employee although this is subject to end-of-year performance and development review. It is also noted that the Health and Social Care NI levy is removed, and the employer contribution rate is adjusted back to 13.8%. These adjustments equate to a total additional cost of £4.792m.

10.3 Separate provision has been made within the 23/24 budget to reflect changes to the 22/23 pay policy in which the previously awarded increases of between 2.25-2.5% is replaced with a £1,925 annual increase on all pay points (excluding senior manager pay). Full Council agreed the pay policy change at their meeting on 25 January 2023. This change impacts future years and this provision is being held centrally within the 2023/24 draft budget and will be allocated to individual service areas in quarter 1. This equates to an additional £2.5m when applied to 2023/24 and reflects known changes to staffing structures.

10.4 The ongoing approach to cost of living pay increases remains under consideration as part of the wider pay policy of the Council and considering the s114 notice in place. Further review is expected in 2023/24.

Pension Deficit Adjustment

10.5 Essex Pension Fund have noted an increase in the employer contribution rates from 19.8% to 20.8%. This is based on the most recent actuarial valuation of the fund and equates to an additional projected total cost of £1m.

Fuel & Energy Inflation

10.6 The cost of petrol and diesel increased significantly within the current financial year:

	Average UK price (unleaded)	Average UK price (diesel)
Jan-2022	£1.46	£1.49
Jan-2023	£1.59	£1.82
Change (%)	8.9%	22%

10.7 The 2023/24 growth allocation sets to re-base the budget to match current spend levels then apply a further 10% increase in line with wider inflation levels. The majority of the spend is incurred within the Environment portfolio through the delivery of front-line waste and grounds maintenance services.

10.8 The Council is in long term arrangements via a procurement framework for the purchase of gas and electricity. Wider inflationary factors in the market have created significant cost pressures in the current financial year.

10.9 Market prices for gas and electricity remain volatile with prices peaking at new highs in September 2022 and remaining high subsequently. Year on year increases for the Council between 2022/23 and 2023/24 are on average 196% for gas and 100% increase for electricity. The 2023/24 growth allocation reflects budget increases up to the current expected spend levels and then further increases of up to 60%, this equates to £2.252m.

10.10 Cost is also affected by usage so all estimates could be revisited if a review of assets leads to less operational buildings.

Waste Demand & Contract Inflation

10.11 Domestic waste throughout the borough is collected by our in-house team on a weekly basis. Several disposal contracts are held with external providers which contain several variable elements which can be affected by, for example and not limited to, the quantity of residual waste (tonnage) and the levels of contaminated recycling.

10.12 Inflation on the core 2022/23 spend is set in line with CPI (est. 10%) demographic growth is linked to the estimated additional properties within the council tax base and additional waste collection spend that would be required to support the additional demand.

10.13 It should be noted that several of the disposal contracts are due for re-tendering in 2024/25 and there is a specific risk that costs increase. Work will be undertaken throughout 2023/24 to understand the expected impact on the MTFS in future years.

10.14 Any changes to the frequency of waste collection or other service redesign will impact the inflation and uplift requirements in future years.

11. Budget Monitoring & Intervention costs

Report reference	**MTFS Category**	**2023/24**
		£000's
Section 7	2022/23 Budget Monitoring Pressures	8,591
	Intervention Costs	6,206

2022/23 Budget monitoring pressures

11.1 Contained within the Quarter 2 budget monitoring report presented to Cabinet in December 2022 were a number of ongoing pressures which directly lead to growth in the 2023/24 budget:

Quarter 2 2022/23 budget pressures	**£'000**	**Explanation**
Adult Social Care Placements	3,039	Reflected in section 12
School Transport - increased demand	950	Reflected in section 12
Children's external placement demand	610	Reflected in section 12
Children's Legal Proceeding	450	Reflected in section 12
Unachieved Capitalisation	500	Delays to major projects impacted staff recharge levels
Loss of parking income	320	Post-covid changes to working arrangements continued to income generation through fees and charges
Fortnightly waste collection saving	322	Planned savings in 22/23 were delayed
Unachieved unallocated Vacancy factor	2,400	In-year vacancies used to off-set wider 2022/23 service pressures
	8,591	

Intervention Costs

11.2 Current assumptions are reflective of other local authorities who have been through the intervention & best value inspection processes and the additional costs associated with the proposed resources & capacity plan.

Resources & Capacity	2023/24
	£'000
Additional staffing capacity	1,559
Specialist staffing resource	1,378
Asset Disposal project	821
Cost of Essex Commissioners	600
External Advisors -finance & legal	1,500
Interim Senior Management arrangements	348
Grand Total	**6,206**

11.3 Additional provision has been made with the costs associated with the wider transformational requirements for the authority as a result of the government directions. This is included in section 16.

12. Social Care Demand Growth

Report reference	MTFS Category	2023/24 £000's
Section 7	Adult Social Care demand growth (A&H £3.996m, Housing £0.750m)	4,746

Adults & Health

12.1 Demand growth in Adult Social Care of £3.996m has been applied to the service as set out below:

Adult Social Care Growth	£000's
Precept Allocation to fund ASC demographic growth	1,496
Adults placements price inflation	1,878
Adults - transition to Adulthood	622
Market Sustainability and Fair Cost of Care Fund - Growth	1,090
Market Sustainability and Fair Cost of Care Fund - Additional Grant	(1,090)
Total	**3,996**

Precept Allocation

12.2 The £1.496m funding generated through the ASC precept has been allocated to Adults Social Care Older People's Services to finance increases in demographic growth.

Adults' placements price inflation

12.3 There is currently a consultation with external care providers to discuss increases in fees. For illustration purposes, an increase of 8.74% to older people residential providers, taking into consideration the increase in the

National Living Wage, general inflation and the reversal of the increase in National Insurance would have the following financial implication:

12.4 To implement this as a fee uplift, the additional cost in 2023/24 is as follows:
- £0.709m increase in Older Peoples Residential care
- £0.232m increase in Older Peoples Residential care for Dementia
- £0.122m increase in Older Peoples Nursing home
- £1.063m Total Funding

12.5 In addition, a £1 increase in the hourly rate to Homecare providers would have an estimated cost of £0.432m across all client groups.

12.6 A further £0.383m of funding would need to be retained for individually negotiated uplifts relating to providers of care for working age adults. These are individually agreed costs, demanding on the complexity and requirements of the service user.

Adults – transition to Adulthood

12.7 As children who currently received care through the Children Social services transition into adulthood, their care cost is then funded through the Adult Social Care budget. Very often these are people with complex and challenging care needs, and therefore require a higher level of support. As a result, £0.622m of additional funding has been allocated into the budget for next year, earmarked predominantly across learning and physical disabilities.

Market Sustainability and Fair cost of care

12.8 In December 2021, the Government published a white paper, 'People at the Heart of Care' that outlined a 10-year vision for adult social care. As part of these reforms the Market Sustainability and Fair Cost of Care Fund was announced.

12.9 The purpose of the fund is to support local authorities to prepare their markets for the reforms and to support Local Authorities to move towards paying providers a 'fair cost' for care.

12.10 As a condition of receiving funding, Local Authorities needed to evidence the work they were doing to prepare their markets for these reforms and submit the following documents to DHSC by 14 October 2022:

- Outcome of Cost of Care exercise for 65+ care homes and 18+ domiciliary care.
- A spend report detailing how funding allocated for 2022 to 2023 was being spent in line with the funds purpose; and
- A provisional Market Sustainability Plan (MSP), using the cost of care exercise as a key input to identify risks in the local market. A final MSP was to then be submitted in 2023 after local government budgets were finalised. The final MSP should detail how the local authority will move towards the cost of care calculated as part of the exercise described in the first bullet point.

12.11 Although the reforms have been delayed until 2025, it is still a requirement to submit the final MSP to government. At the time of preparing this report the submission date has not been formally confirmed but is believed to be 31 March 2023. Authorities were advised that we would receive feedback on the draft to help shape the final submissions, but no feedback has been received from government to date.

12.12 The format of the MSP is prescriptive and must be completed using the template provided. Due to concerns raised by LAs with the governments proposed process to determine a 'fair cost of care', the Local Government Association (LGA) sought Kings Counsel (KC) advice on behalf of Councils in England. It is this advice that has helped shaped the final submission.

12.13 The key risk is the recruitment and retention of the workforce in such a competitive environment. As such, we have been involved in the development of a regional adult social care workforce strategy and are trying to shape alternative models of care to allow people the opportunity to have blended roles in which they can progress. Some of these new models have a proven positive impact on the recruitment and retention of staff.

12.14 As part of the local government finance settlement for 2022/23, Thurrock Council were awarded £0.442m of Market Sustainability and Fair Cost of Care Funding. 25% of this grant funding was ring-fenced to fund the undertaking of the project, and the remaining for part of the uplift that was given to providers weekly rates. The finance settlement for 2023/24 has seen the grant allocation increase to £1.532m, an increase of £1.090m.

12.15 Within the parameters of the £1.090m funding, the Council will work with providers to improve the long-term sustainability of services in the sector. We will utilise the funding to address the risks to the sustainability of the market detailed in the MSP and find solutions that make a difference to the sector.

<u>Additional Cost Pressures</u>

12.16 As identified and reported as part of the 2022/23 budget monitoring process (as per paragraph 11.1) the Adult Social Care external placements budget has seen an unprecedented rise in demand, and as a result cost, which remains a projected recurrent cost pressure in 2023/24. This is included within the medium-term financial strategy, and the additional growth funding is required for 2023/24.

Service	**Full Year Budget**	**Full year forecast**	**Final forecast variance**
	£000's	**£000's**	**£000's**
BCF Older People Services	6,177	8,171	1,994
Learning Disabilities	16,693	17,090	397

Mental Health	5,109	4,756	(353)
Physical Disability	4,056	5,210	1,154
Respite Care	622	469	(153)
Total	**32,657**	**35,696**	**3,039**

12.17 The cost pressure and additional funding requirements are predominantly because of increases in demand for social care services and demographics, as detailed below:

a) There has been a significant increase in demand for Homecare services,

b) The increased level of need for people being discharged from hospital and requiring continuing social care support to live independently outside of residential care. This has also been exacerbated by the change in the hospital discharge criterion from ‘medically fit’ to ‘medically optimised’ meaning patients are discharged earlier and with a greater level of care acuity,

c) Increased complexity of conditions and the associated requirement for additional care support to existing clients. This is reflected in the substantial increase in the number of homecare packages that the Local Authority is commissioning within the external care market,

d) Longer term ramifications following the covid pandemic including the pausing by the NHS of secondary prevention programmes to manage residents with long-term conditions that is now resulting in significantly increased presentation of very unwell patients presenting at A&E for emergency hospital and the subsequent demand on ASC through increased hospital backdoor pressures. Along with the “hidden” impacts of COVID amongst both working age adults and older people caused by the lockdown and removal of non-crisis intervention by health. This is particularly prevalent in Mental Health services.

12.18 The overspend within Physical disabilities represents a changing in the presentation of the data. Further work has been undertaken to ensure that the budget information is presented by client group, rather than primary support reason. This has resulted in an increase in the outturn position within this budget line.

12.19 The two most prevalent areas of overspend within the ASC external placements budget are older people’s homecare and residential spend.

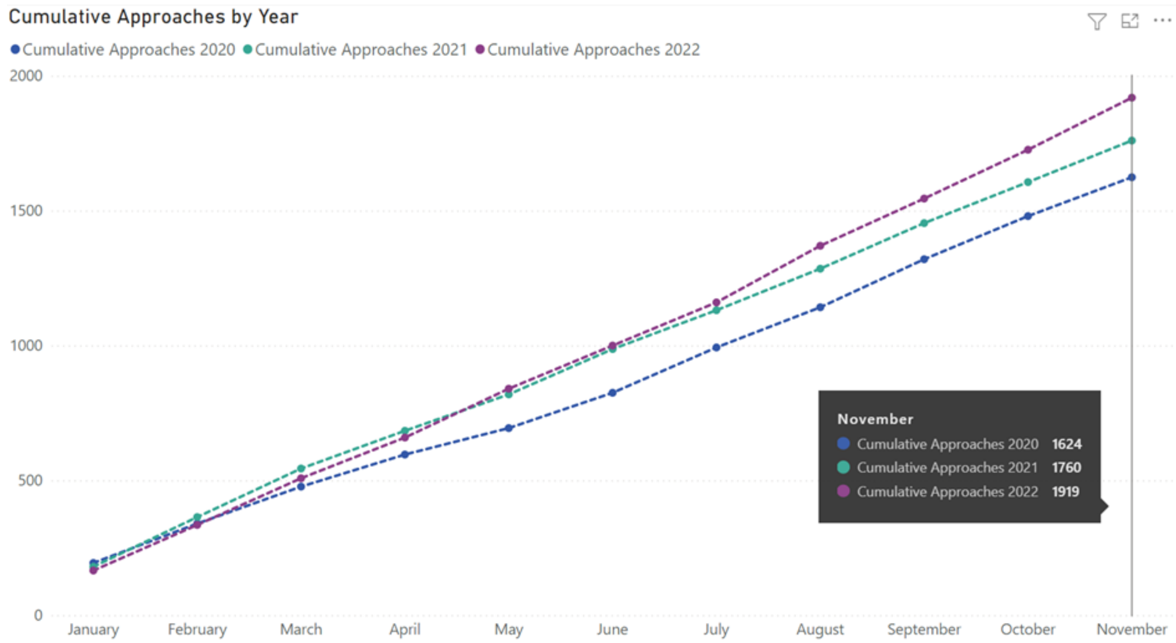
12.20 The total budget requirement for commissioned external hours have increased from 6,274 per week in March 2021, to 9,030 in for 2023/24 to meet the current level of demand. This is a gross budget increase requirement of £2.713m per annum.

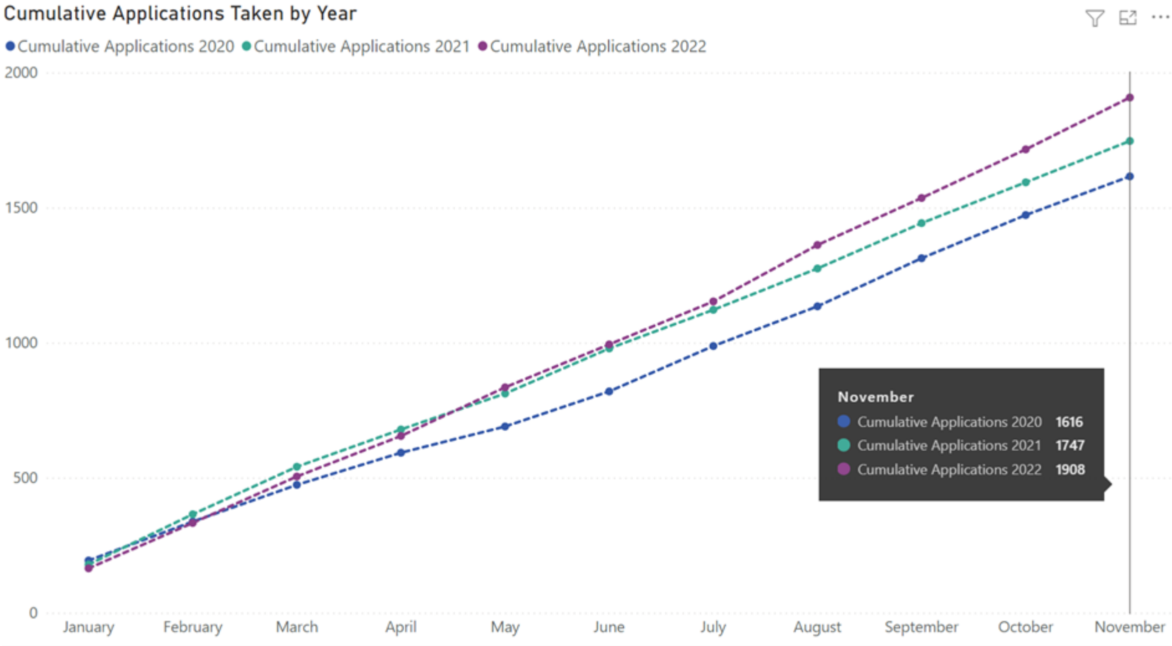
12.21 This cost is further compounded in 2023/24 by the inflationary cost pressure facing external homecare providers, and therefore any increase in hourly rates would also be applied to the increased commissioned total hours.

Housing (General Fund)

12.22 Within the MTFS and proposed budget, a growth allocation of £0.750m to meet the demand for homelessness has been recommended.

12.23 Covid-19 measures relating to the prevention from eviction ended in 2021 but the courts dealing with backlogs processed the cases at different paces with peaks at the beginning of the year and late summer 2022. Furthermore, cost of living pressures are increasing the number of approaches to the service and will end the current financial year with over 2,000 approaches, and a similar number of applications taken.





12.24 During the current financial year, many of the ‘Everyone In’ cohort of clients residing in our temporary accommodation (TA) have been moved into longer term more secure forms of tenure.

12.25 This process was supported by the acquisition of new properties purchased utilising ‘Right to Buy’ receipts, combined with HRA prudential borrowing, to increase the level of Council owned dwellings. In 2021 these properties were retained in general needs stock with ‘Direct Offers’ made to those in TA.

12.26 The increase in the number of approaches from residents in relation to homelessness represents a significant financial risk to the Council.

12.27 After careful assessment, growth has been identified within the Councils Medium Term Financial Strategy, and draft budget proposals for the following financial year.

12.28 The acquisition of open market properties in order to find permanent accommodation solutions and increase the level of Council owned housing is not available to the Council in the following financial years due to legislative and financial constraints.

12.29 Expenditure on temporary housing solutions will continue to be closely monitored, and any realisation of increased expenditure risks reported accordingly.

Children’s Services

Report reference	**MTFS Category**	**2023/24 £000's**
Section 7	Children's Social Care growth	1,250

Children Services Growth 2023/24	£'000
Children's Placements Price inflation	822
Home to School Transport inflation	293
DSG – CSSB 20% Reduction	135
	1,250
Growth to reflect ongoing budget monitoring pressures:	
Home to School Transport demand	950
Children's Placements	610
Children's Legal Proceedings	450
	2,010
Total	**3,260**

Children's Placements

12.30 The placements budget continues to experience increased cost and complexity of need. Significant cost pressures are generated by moves within care. Children with the most complex needs are experiencing a high level of placement instability driven by both providers giving notice on their placement and by intervention by the regulator. Thurrock is reliant on external providers for residential and complex care including SEN placements.

12.31 Unregulated placements are where the Local Authority are unable to secure a suitable placement with a provider to meet the needs of the young person. In these instances, the LA has to develop a package of support around the child and seek judicial approval until a regulated place can be provided. By nature, these placements are highly complex and costly. Thurrock currently have 7 such placements with a significant cost implication. Ofsted registration is being progressed.

12.32 The Directorate as part of weekly placement panel meetings has an ongoing review of all high-cost placements with an annual cost exceeding £0.128m.

12.33 A notional 5% price inflation has been applied, to provide for both price inflation and increased costs arising from increased complexity of need, within the placement budget.

12.34 This is a highly complex and volatile budget that is closely monitored but subject to change on a regular basis.

Home to School Transport

12.35 Thurrock continues to experience yearly increases in pupil numbers and Education Health and Care Plans (EHCP). The increase to the Local Offer for pupils with Special Education Needs, places additional demands on the Home to School Transport budget. The table below shows the increase in numbers of Pupils, Education Health and Care Plans, Commissioned Placements and out of Area placements. The Out of Area placements have seen a small reduction due to the increased local offer, though costs continue to rise.

12.36 Future year projections show the numbers of pupils requiring an EHCP and a specialist placement to increase year on year. This will have an impact on both the Dedicated Schools Grant and Home to School Transport budgets.

School / EHCP Data	Pupil Numbers	No of EHCP's	Commissioned Places	Out of Area Placements
2021	27,835	1,761	748	242
2022	28,224	1,878	853	235
2023	28,621	2,100	893	222
2024	29,305	2,180	923	240
2025	29,500	2,240	953	238

12.37 A notional 5% price inflation has been applied, to provide for both price inflation and increased costs. Home to School Transport contracts end in August 2023, with new contracts to commence from September 2023.

12.38 It is expected that the combined growth and inflationary increase alongside an ongoing review of Home to School Transport will contain demand and cost within the resource available. This is a volatile area that will kept under constant review.

Children's Legal Proceedings

12.39 Demand for legal Services in 2022/23 is exceeding base budget provision. In the last 2 financial years, additional one-off funding has been provided to cover additional costs incurred in response to Covid backlogs. At its highest point in 2021/22, 58 cases required legal support. In 2022/23 this has reduced to a case level of 34.

12.40 An updated budget has been prepared based on current case levels. Growth funding of £0.450m has been provided to reflect 2022/23 forecast outturn position and base budget review.

13. Departmental Savings and Additional Income Opportunities

13.1 There is the requirement to identify ongoing revenue savings and wider income opportunities. Officers have worked closely with portfolio holders to identify achievable savings proposals for Financial Year 2023/24. These are summarised in the table below and total £8.145m.

Departmental Savings	**2023/24 £'000**
Portfolio	**Total**
Adults & Health	(1,050)
Central Services	(734)
Children & Education	(705)
Culture & Communities	(90)

Environment	(431)
Finance - Central Financing	(566)
Growth	(140)
Housing	(502)
Transport & Public safety	(1,738)
Finance	(190)
Finance - Other Operating Costs (cross-cutting saving to be allocated)	(2,000)
Grand Total	**(8,145)**

13.2 For context, 2022/23 included an overall savings target of over £12m, 12% of these have been identified as undeliverable in-year with alternative mitigation required. 2023/24 budget adjustments have been reflected in paragraph 11.1.

13.3 Proposals will continue to be developed and, where appropriate, will be delivered subject to appropriate consultation and engagement.

13.4 The 2023/24 savings proposals are categorised across the following areas: with further detail provided in Appendix 4:

	Cost reduction -Targeted	**Cost reduction - Cross cutting**	**Income generation**	**Utilisation of alternative funding options**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2023/24 proposed savings	(3,712)	(2,000)	(2,113)	(320)	(8,145)

13.5 In addition to the operational savings identified during this exercise it is clear to Directors Board that a more wide-reaching exercise needs to be undertaken to assist the Council in its reconfiguration, which in turn will position it to deliver services in future years, reduce costs and ensure cost recovery and/or income generation is realised.

13.6 It should be noted by members that further savings for 2023/24 will be brought for consideration during the forthcoming year. The financial position of the Council requires the wider transformational activity to take place at pace to support a wider path to financial sustainability. Experience from elsewhere suggests that savings in the order of 5-7.5% should be possible.

13.7 Savings for future financial years requires considerable consideration and figures included in the MTFS are indicative at this stage. Currently the MTFS includes savings at the top end of the range in 13.6.

14. Capital & Treasury Management

Report reference	**MTFS Category**	**2023/24**
		£000's
Section 7	Interest Costs, Loss of Commercial Income and Capital MRP	61,605
	Ongoing Impact of Prior Years Capitalisation	25,918
	MRP on Capital investments	74,956

14.1 The context highlighted in the balances set out in the table above is stark, The Council faces additional interest costs of £27.9m, the loss of commercial income of £33.5m, Further MRP on capital investment assets of £75m and the projected cost of the 2022/23 exceptional financial support totalling £25.9m. This represents the combined impact of the investment strategy on the 2023/24 budget and totals £162.5m. This represents 88% of the total projected deficit and highlights that any path to financial sustainability requires the investment strategy to be unwound and debt repaid as soon as practicable.

The Treasury Management Strategy

14.2 The Treasury Management Strategy (incorporating new Capital and Investment strategies) has been rewritten to address the requirements of the intervention. A separate paper is included on the agenda which provides more detail. The Treasury Management Strategy has been produced in accordance with revised guidance contained in The Chartered Institute of Public Finance & Accountancy Code of Practice for Treasury Management in Public Services and the Prudential Code.

14.3 The Secretary of State’s statutory direction required the Council to implement action plans to ensure that its capital, investment, and treasury management strategies are sustainable and affordable, debt is strictly reduced and the MRP policy is revised.

14.4 The Treasury Management Strategy has been produced within this context with a specific focus of reducing debt. The Council will manage debt reduction through asset sales including property sales under the ‘3Rs’ programme and the divestment of commercial investments. As significant reductions in debt are made this positively impacts on the longer-term financial sustainability of the Council given significant increases to borrowing costs as short-term finance is replaced. It is noted that the longer term MTFS does not yet demonstrate the Council can resolve its financial issues without ongoing support from government.

14.5 The investment strategy has effectively been largely paused since October 2020 driven by the change to the regulations around the access to funding from the Public Works Loans Board. In 2022/23 the significant issues identified with the investment portfolio led to intervention at the Council. Consequently, a range of actions have been taken in respect of investments with identified issues. The Quarter 2 finance report confirmed impairments of investments totalling £275m with a further £129m of Minimum Revenue

Provision required to write down investments in accordance with the Prudential Code.

14.6 The total of commercial investments as at 31/03/23 is projected to be £1,043m of which £815m is classified as capital investment and the remaining £228m is revenue investment. The revenue investments remain under review to consider compliance with the Prudential Code.

14.7 The Capital Strategy sets out the strategic framework underpinning capital expenditure and the associated financing at the Council. New capital bids have been reviewed on a case by cases basis within the restrictions imposed by the Section 114 notice and the existing programme has been reviewed and scaled back further as part of a high-level review of capital activities. As part of this exercise, several projects have been paused pending further assessment by officers. Further reviews of the capital programme will be conducted early in 2023/24 to ensure capital spend is for essential purposes or supports the wider transformation of the Council. The current planned capital expenditure covering the General Fund and HRA to the end of 2027/28 is set out in Appendix 5.

CAPITAL PROGRAMME

14.8 The total cost of the draft Capital Programme in 2023/24 is currently projected to be £68.628m, broken down as £43.513m relating to the General Fund and £25.115m relating to the HRA. The HRA capital programme is part funded by borrowing, grants and reserves and the associated revenue costs are managed from within the HRA budget envelope. The General Fund projects require prudential borrowing of £26.329m and the associated revenue impacts are also budgeted. Additional borrowing for 2023/24 to fund the new programme (Appendix 7) is £5.903m (14.22)

14.9 This programme has been prepared against a background of significant funding pressures as set out in the Financial Update Report considered by Cabinet on 14 December 2022 and hence the programme has been restricted to essential projects only and remains subject to further reviews. Following the issue of a Section 114 Notice by the Chief Financial Officer on 19 December 2022, only when sums contribute to statutory service provision, or where existing contractual obligations are in place, can new expenditure be incurred.

14.10 As well as considering the impact of any new projects, the existing programme has been further scaled back as part of a high-level review of capital activities. As part of this exercise, a number of projects have been put ‘on hold’ meaning that the budgets and financing for these have been temporarily removed from the programme pending a decision on whether they can be reinstated. This will be continued, in conjunction with a review of the remaining programme, in greater detail throughout the year as part of the wider review of the Council’s finances and impact of proposed government support. A revised position will be reported to Members as early as is practical in the new financial year. It is noted that should projects be reinstated to the programme there will need to be further consideration of the impact on prudential borrowing and, where this relates to a general fund project, the associated interest and Minimum Revenue Provision charges to revenue. This will need to be managed within the wider capital programme. Similarly, where further funding is required to support a project this should be managed from within existing capital resources. Any required capital virements between projects will require approval from Cabinet.

14.11 In respect of the capital programme, the impact on the revenue budget mainly occurs in respect of projects that are financed from Prudential Borrowing and this is in the form of Interest (the financing cost of the loan) and Minimum Revenue Provision (MRP) (the sum that is required to account for the principal repayment of a loan). Therefore, to the extent that projects are financed in this way, there will be an impact on the Council's revenue budgets. The updated projected revenue impact of the changes to the programme reflected in this report have been built into the Medium-Term Financial Strategy.

14.12 As part of the recovery measures agreed with government, the Council is reviewing its asset base to identify any that could be disposed of to generate a capital receipt (the term for the proceeds of an asset sale). These receipts will be used to repay debt, which will, in turn, reduce the interest and MRP costs associated with this debt.

14.13 The following sources of funding can be used to fund capital:

a. Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings;
b. Grants and Contributions - these could be grants awarded from government or other funding agencies or contributions from developers and others;
c. Prudential Borrowing – the Council can increase its borrowing to finance schemes subject to the plans in place being assessed and considered affordable; and
d. Revenue – the Council can charge capital costs directly to the General Fund, but this will create additional pressure on revenue resources.

14.14 Further work is being facilitated on Grants and Contributions, so to develop plans and secure grant funding from external agencies, or, from developers, for in-borough Capital Projects. The funding associated with the two Towns Fund bids are examples and, in the context of the section 114 notice, further work is being undertaken with officials at the Department of Levelling Up, Housing and Communities to ensure assurance is provided over the ongoing deliverability of the schemes.

14.15 Funding from capital receipts will also become available as part of the ongoing asset review. This continues to challenge the rationale for holding property assets. There are three potential outcomes which means assets are either:

a) Released (for example to dispose of immediately to generate useable capital receipts)

b) Re-used (for example for different services or more intensive or changed use); and
c) Retained (to support existing service delivery or wider transformation).

Details on the potential use of these receipts has been included in the Capital and Treasury Management Strategy. Under the requirements of the intervention, it is important the Council considers all opportunities for the reduction of debt, and this will be a primary consideration as assets are considered on a case-by-case basis.

14.16 Annually, all services consider their future capital needs and submit bids for schemes a range of projects that are required to support operational service delivery or provide essential works to address health and safety concerns – such as capital repairs to operational buildings and system upgrades. The summary of the capital bids included in Appendix 6 is set out in the table below. In addition, there are transformational projects that provide service enhancements that will ultimately reduce costs or increase income. These will be subject to individual business cases to support the transformation activity identified.

Portfolio	Total Budget 2023/24 £'000	Total Budget 2024/25 £'000	Total Budget 2025/26 £'000	Total Budget 2026/27 £'000	Total Budget 2027/28 £'000
Expenditure:					
Portfolio for Central Services	3,283	723	355	355	330
Portfolio for Environment	447	471	494	518	544
Portfolio for Children and Education	888	313	185	0	0
Portfolio for Transport and Public Safety	1,285	1,100	1,100	850	450
Total Expenditure	**5,903**	**2,607**	**2,134**	**1,723**	**1,324**
Financed by:					
Prudential Borrowing - General Fund	5,903	2,607	2,134	1,723	1,324
Total Financing	**5,903**	**2,607**	**2,134**	**1,723**	**1,324**

14.17 The current context has required a wider review of the proposed capital bids and further reductions have been made. Of those that have been included, the further progress of the projects will be considered in conjunction with the requirements of the Section 114 notice.

14.18 The report also provides a summary of the existing programme that has been agreed in previous years. These are summarised in Appendix 5 and cover the period 2022/23 through to 2025/26 and have been shown at both Directorate and Portfolio level. Within this programme several projects are financed, at least in part, from Prudential Borrowing and a breakdown of these for the same period is included in Appendix 6.

14.19 The programme has also been subject to an initial review to consider further opportunities to remove projects. The initial focus has been on those projects that have not yet commenced or at an early stage of development and which are funded by prudential borrowing. The current programme has been amended to remove a number of projects in this category which total £22m.

14.20 The Committee should note that the capital programme will continue to be reviewed as part of a wider review of the Council's finances as part of the response to the intervention and in the context of the section 114 notice. It is expected that a revised capital programme will be presented to Members later in the year, along with any necessary changes to the Capital Strategy, once this has been undertaken.

14.21 It is also noted that debt funded projects in the General Fund and debt funded projects in the HRA should be considered in context. Where the HRA undertakes capital works financed from borrowing, these costs must be met in full within the HRA and are not subsidised by the General Fund (and vice versa). Therefore, when the HRA incurs capital costs financed by borrowing, this fund will be expected to meet the full costs of these, there will be no impact on the General Fund. A summary of all projects funded by prudential borrowing is set out in Appendix 6.

14.22 As set out above the proposed additions to the capital programme have been included at Appendix 7. Once projects are approved by members, funding is only committed in response to a specific need by the relevant service and is subject to further finance approval. These projects have been assessed for the forthcoming year specifically to ensure priority work can be delivered. Subsequent years will be considered in the relevant year and in the context of the financial position at that point. The borrowing required (see 14.16) of £5.903m is included in the total Prudential Borrowing budget for 2023/24.

14.23 In addition, the General Fund capital programme also includes the Highways and Education. These are largely funded by government grants and will be considered by their respective Overview and Scrutiny Committees and the Cabinet under separate reports. The HRA capital programme is managed from within its own ring-fenced resources, so does not impact the General Fund.

14.24 It is also noted the recommendations to Council include delegations to Cabinet to agree additions to the capital programme under the following criteria:

a) If additional third-party resources have been secured, such as government grants and s106 agreements (or potentially the Community Infrastructure Levy – should such an arrangement be introduced in the future), for specific schemes;

b) Where a scheme is identified that can be classed as 'spend to save' and can demonstrate this clearly in an associated business case that it will lead to cost reductions or income generation that will, as a minimum, cover the cost of borrowing.

14.25 The capital programme, as set out in this report, will impact the revenue resources of the Council. As well as any interest cost associated with any additional debt undertaken, there will be an additional charge to revenue in the form of MRP. The projected increases in costs to the General Fund revenue budget set out in the following table:

Year	Current Forecast	Increase	Revised Forecast
	£'000	£'000	£'000
2024/25	7,724	510	8,234
2025/26	7,712	666	8,378
2026/27	7,758	789	8,547
2027/28	7,613	902	8,515
2028/29	7,383	1,017	8,400

14.26 It should be noted that MRP is first incurred the year following that in which asset the borrowing relates to is first brought into use. Therefore, in the above table, MRP increases shown in 2024/25 relate to capital costs incurred in 2023/24. As noted above, any changes to the capital programme need to be manageable within budgeted revenue resources and hence any required increases in funding will need be offset by wider reductions in the programme.

14.27 Following a review of Capital Projects as part of the preparation of this budget a number of projects have been put on hold. For these items there is no decision on whether they will proceed or not, simply that there is no active work at present and therefore no costs are anticipated. Should a decision be taken to cancel/postpone any of them then an assessment of any costs of cancelling these (including grant returns) will be included at the time of making that decision to ensure Members are fully aware of the consequences of that decision.

Capital Financing Requirement

The Capital Financing Requirement (CFR) sets out the level of borrowing required to support the planned capital activity of the Council. The report sets out the levels through to 2027/28 and confirms the level of borrowing will be within this limit throughout this period. The CFR is expected to fall initially following asset disposals but then rises in line with the ongoing need for annual exceptional financial support from government (assumed to be in the form of capitalisation directions). This is set out in the table below:

Capital Financing Requirement (Prudential indicator) - includes capitalisation direction

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 forecast	31.3.2025 forecast	31.3.2026 forecast	31.3.2027 forecast	31.3.2028 forecast
	£m	£m	£m	£m	£m	£m	£m
General Fund services	258	296	320	320	311	301	292
Council housing (HRA)	208	244	256	311	343	342	342
Loans	1	1	1	1	1	1	1
Capital investments	525	450	327	71	39	36	33
TRL Investments	25	23	23	22	21	20	19
Capitalisation Direction	0	452	610	332	375	386	394
CFR - Borrowing	**1,017**	**1,467**	**1,536**	**1,056**	**1,089**	**1,086**	**1,081**
CFR - Other Liabilities	12	12	12	12	11	11	11
TOTAL CFR	**1,029**	**1,479**	**1,548**	**1,068**	**1,100**	**1,097**	**1,092**
Reason for change							
Net financing		81	43	66	33	1	1
MRP charge		(82)	(107)	(102)	(33)	(34)	(36)
Repayment of debt		(11)	(49)	(600)	(36)	(34)	(32)
Capitalisation Direction		462	180	156	68	65	62
Annual change		**450**	**67**	**(479)**	**32**	**(3)**	**(5)**

15. Dedicated Schools Grant (DSG)

15.1 The Dedicated Schools Grant (DSG) is a ringfenced grant. The majority of DSG is used to fund individual school budgets in schools and academies via the schools' block. It also funds, through the early years block, nursery free entitlement places for two, three and four-year-olds, as well as provision for pupils with high needs, including those with special educational needs and disabilities (SEND), education health and care plans (EHCP) in special schools and specialist provision in and out of area. Finally, there is the central school services block which supports the local authority role in education.

15.2 On 17 December, the Secretary of State for Education announced details of Dedicated Schools Grant (DSG) allocations for 2023/24. The tables below show the funding to be received by Thurrock:

Dedicated Schools Grant	Funding Settlement 2022/23	Funding Settlement 2023/24	Funding Increase 2023/24
	£'000	£'000	£'000
Schools Block	146,520	156,834	10,314
Central Services Block	1,688	1,633	(55)
High Needs Block	32,662	36,714	4,052
Early Years Block	12,880	13,679	799
Total	**193,750**	**208,859**	**15,109**

15.3 The 2022 Autumn Statement announced that the core schools' budget will increase by £2 billion in the 2023/24 financial year, over and above totals announced at the Spending Review 2021.

15.4 In the 2023/24 financial year, mainstream schools will be allocated additional funding through the mainstream school's additional grant (MSAG) 2023/24. This is in addition to schools' allocations through the schools national funding formula. Thurrock's indicative allocation is £5.399m. This will be incorporated into core budget allocations for 2024/25.

15.5 The High Needs additional grant funding, provided through the 2022 spending review is £1.523m, this is reflected in the table above and is part of the additional £4.052m High Needs Block increase.

Schools

15.6 In 2023/24, each local authority will continue to set a local schools funding formula, in consultation with local schools. Thurrock's funding formula will implement the following principles consistent with the decision made by Cabinet in December 2022:

- National Funding Formula including Area Cost Adjustment values to be applied.
- The Basic Entitlement value to be applied will be equal to the minimum value increase allowed to ensure the formula can be contained within the resource available.
- Growth fund of **£1.176m** to be retained to support sufficiency of school places.
- Schools Forum have agreed a £0.742m transfer from the Schools Block to the High Needs Block to support increase demand for Specialist placements and Education, Health, and Care Plans.

High Needs

15.7 In 2023/24 High Needs Block funding has an allocation of £36.714m, an increase of £4.052m. Whilst the increase is welcome, Thurrock continues to experience high level of demand for Specialist places and Education, Health, and Care Plans. The High Need Block 2022/23 projected outturn is an overspend of £0.752m.

15.8 In 2023/24, the expansion of the local offer will increase commissioned numbers for the academic year to 893, an increase of 90. This reflects planned expansion of Primary Autism, Secondary SEMH and Specialist provision. In addition, Top-up values across all providers have been increased by 5% to reflect increased costs and inflationary pressures.

Early Years

15.9 In addition to the previously announced £180m for the early years entitlements in 2023/24, the spending review has made available an additional £20m funding.

15.10 As a result of this, the Education and Skills Funding Agency (ESFA) have confirmed that in 2023/24 the hourly funding rates will increase by 6p an hour for the two-year-old entitlement and by 33p an hour for the three-and-four-year-old entitlements.

15.11 The three-and-four-year-old increase includes funding for Teachers pay and pension that was previously paid as a separate grant. This has been calculated by the ESFA as 9p of the 33p increase. The Schools Forum have agreed that this should be paid to all providers and not ring-fenced to Schools and Academies.

15.12 To support settings Thurrock is to increase the funding rates paid to:
- 2-year-olds to £5.50 per hour, an increase of 6p per hour
- 3&4-year-olds to £4.79 per hour, an increase of 31p per hour
- Deprivation rates paid to 3&4-year-olds, equal to a 2p per hour increase.

Dedicated Schools Grant 2023/24 – to be received by Thurrock

15.13 On calculation of the School budget for 2023/24 the ESFA directly fund Academies, shown as Academy Recoupment. The Dedicated Schools Grant to be received by Thurrock Council in 2023/24 is shown in the table below:

Dedicated Schools Grant 2023/24	Funding Settlement	Funding Block Transfer	Final DSG	Academy Recoupment	Final DSG
	£'000	£'000	£'000	£'000	£'000
Schools Block	156,834	(742)	156,091	(150,897)	5,194
Central Services Block	1,633		1,633		1,633
High Needs Block	36,714	742	37,456	(6,704)	30,752
Early Years Block	13,679		13,679		13,679
Total	**208,859**	**0**	**208,859**	**(157,601)**	**51,258**

16. Reserves

16.1 Reserves are defined in Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992. This requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.

16.2 Reserves are an essential part of the financial strategy and provide a contingency against the significant risks the Council faces. They can also provide a source of funding to develop business cases to change the way it provides services and achieves future savings.

16.3 The continued provision of adequate reserves is essential in medium term planning. Reserves can prevent the need to take remedial urgent action within the year to mitigate financial challenges that arise and, which could have longer term consequences.

16.4 There are 2 forms of reserves:

- **Unrestricted reserves** – reserves earmarked to support the medium to longer term plans of the Council (e.g. those earmarked to enable it to transform and invest to save); and contingent reserves (amounts that are available to the Council to meet contingent expenditure). This category of reserves total £11m.
- **Earmarked reserves** – reserves where the authority to commit the funds rests elsewhere (e.g. amounts held on behalf of schools and partnerships) and those held for managing cyclical spending or long-term commitments (for example delivery of the Local Plan). These are projected to total £0.724m.

16.5 The financial context of the Council set out in the report essentially means the Council is projecting to start the 2023/24 financial year with the £11m General Fund reserve and a small number of earmarked reserves totalling £1.124m.

16.6 The Council has applied the remaining reserves to addressing the exceptional financial pressures identified and reported at Quarter 2.

16.7 The Council will then create a further earmarked reserve to support the significant transformation required in response to the intervention and in the context of the Section 114 notice in place. This will initially support the delivery of the savings identified in this report which support budget delivery – this is expected to require up to £3m to support delivery. This is then followed by the wider assessment of the change required to deliver services in the context of both the Section 114 notice and to support a path to financial sustainability. The initial phase of this change will commence in 2023/24 and hence a further £2m is the current projected estimate of this requirement. A further £5m has been allocated for the continuation of the work into 2024/25. This reserve also ensures the Council do not need to seek additional exceptional support from government to deliver this work.

16.8 A further reserve has been created for £2.515m which provides an additional contingency against service pressures. This recognises the ongoing risks from demand-led services but also anticipates the wider risks attaching to the delivery of core services alongside major transformational activity

16.9 The Council now needs to assess its ongoing needs alongside the delivery of the improvement and recovery plan and the wider discussions with DLUHC on financial sustainability. Once there is an understood path to sustainability this will need to include a planned level of reserves to support the delivery of the corporate priorities.

16.10 The Council is at the start of this journey and will develop the wider reserve strategy while utilising the proposed exceptional financial support to deliver the transformation required.

16.11 The General Fund Balance, which is an unrestricted reserve and would normally represent 7% of net revenue budget was set in prior years in recognition of the level of risk associated with the pressures the Authority expected to face. In the current financial position, the reserve is available to support operational service pressures arising unexpectedly but cannot mitigate the wider financial issues faced by the authority.

17. Risks to Budget Delivery

17.1 There are several risks associated with the budget:

i) Inability to deliver planned savings – 22/23 DRA log (Delivery Risk Assessment) shows undelivered 22/23 savings. The proposed savings remain subject to further assessment, business cases and consultation in some cases so there remains the risk of delay to their implementation and the ability to deliver a full year effect

ii) The deliverability of services within the baseline level of available resources – this is linked to demand led services - growth has been applied but demand could still exceed this.

iii) Uncertainty remains in respect of the government support mechanism – discussions are ongoing but there is no agreed approach to date.

iv) Results of the Best Value Inspection and any subsequent action required are not yet clear and may have wider consequences on the delivery of the Improvement and Recovery Plan.

v) The rate of inflation is currently at a 40 year high (latest CPI of 10.7%, November 2022), and there remains substantial uncertainty around these levels.

vi) The ongoing impact of the cost-of-living crisis could impact the ability to recover revenue streams that the Council relies on to support the delivery of services.

vii) Further potential increases to the Bank of England’s base interest rate may create cost pressures for the Council, particularly in relation to ongoing borrowing requirements.

18. Control environment

18.1 Following the issue of the Section 114 notice, the Council have introduced an Expenditure Control process to continue to challenge and limit spend.

18.2 The Section 114 notice means that, aside from the exceptional reasons listed below, the council cannot enter into new agreements that will incur expenditure. Any proposed new spending exceeding £500 must now be reviewed on a case-by-case basis by a formal spending review panel.

18.3 The council can and will continue spending if any of the following criteria can be met:

- existing staff payroll and pension costs
- goods and services that have already been received
- required to provide of statutory services at a minimum possible level
- urgently needed to safeguard vulnerable citizens
- required through existing legal agreements and contracts
- funded through ring-fenced grants
- required to get value for money or reduce extra in-year costs

18.4 Refunds will still be paid where required to do so.

18.5 Even when the section 114 period ends there will remain in place the scrutiny over spending in the medium term (although spending limits may be reviewed/adjusted).

18.6 Regular & timely budget monitoring to senior management and members will take place throughout the financial year and report on the delivery of this budget. There are further processes being put in place for the monitoring of savings targets and their progress at a detailed level. Mitigating action will need to be identified for non-achieved savings. Appropriate financial support and training will continue to be offered to budget holders and the Beyond Forecasting Tool will further support the need to accurately present the financial position throughout the year.

19. Reasons for Recommendation

19.1 The Council is obliged to set a balanced budget annually and assess the adequacy of its Reserves.

20. Consultation (including Overview and Scrutiny, if applicable)

20.1 This report has been developed in consultation with the Leader, portfolio holders and Director’s Board.

20.2 We are under a statutory duty to consult on our budget under S65 of the LG and Finance Act 1992, with persons or bodies who pay non domestic rates. We have undertaken such an exercise and have therefore complied with this duty. There were 2 responses which did not relate directly to the budget. As such the consultation responses have been taken into account in the setting of this budget.

20.3 Corporate Overview & Scrutiny Committee considered factors of this report at their meeting on Thursday 2nd February 2023. Key points are noted below:

- The Committee felt the report was broad and did not provide the necessary detail regarding specific directorate savings proposals
- The committee queried the level of exceptional financial support requirement figure, income generation plans, 'key ambitions' within the report, the timescales attached to the divestment of investments and the adequacy of the previous Section 25 statements.
- The committee commented on the longer-term budget issues and the current assessment that the Council will require ongoing support to balance the budget beyond 2028/29 when all asset and investment disposals have been made.
- The committee commented on the operational deficit and questioned how this could be managed.
- The committee noted the fluidity of the situation and that the budget process would continue to develop in 2023/24

21. Impact on corporate policies, priorities, performance, and community impact

There are increases to services contained within the budget, although these are restricted given the intervention the Council finds itself in and also operating under the rigours of a s114 Notice.

22. Implications

22.1 Financial

Implications verified by: **Gareth Moss**

Chief Financial Officer

Covered in body of the report, and reflects the circumstances that the Council currently faces, intervention, working with Commissioners and the live s114 Notice that the Council is currently operating under.

22.2 Legal

Implications verified by: **Gina Clarke**

Corporate Governance Lawyer and Deputy Monitoring Officer

The provisions of the Local Government Act 1992 states that local authorities are required to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council is required to set a balanced budget with regard to the advice of the Council's Section 151 Officer.

The Local Government Finance Act 1988 (Section 114) places the responsible financial officer under an obligation to make a report to Full Council if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority. Also, the Council's Monitoring Officer is required to report to Full Council if it appears to him that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration.

Notice was issued by the S151 Officer on 19 December 2022 and was considered by Full Council on 9 January 2023. The Council is now required to put in place proposals and take action to ensure that the Council meets it duty to set a balanced budget

The Council's Constitution sets out the process for preparing draft budget proposals for each municipal year including consultation requirements. The Council is also required to comply with other consultation obligations required by statute or the common law that may apply to certain proposals being considered. The responses produced by the relevant consultations must be considered in finalising budget proposals.

In addition, the Council when exercising its functions must have due regard to its equalities duties under section 149 of the Equalities Act 2010.This can be achieved by considering the equalities and diversity implications at all stages of the budget setting process to ensure that budget proposals do not discriminate against any of the protected equality groups.

The setting of the budget is a function reserved to Full Council, who will consider the draft budget prepared by the Leader/Cabinet.

In order for the Council to be lawful in setting the budget, written confirmation must be received from Government that it has approved the request to provide exceptional financial support in the sum of £400m+.

22.3 **Diversity and Equality**

Implications verified by: **Rebecca Lee**

Team Manager Community Development and Equalities

While there are no specific diversity and equality implications associated with this report, a comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future savings requirements.

CEIA's will be informed by consultation outcomes and feed into final decision making.

The cumulative impact from savings proposals will be closely monitored and reported to Members.

22.4 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, Climate Change and Impact on Looked After Children

N/A

23. Appendices to the report:

Appendix 1 – Medium Term Financial Strategy

Appendix 2 – Revenue Budget supporting tables

Appendix 3 – Request for Exceptional Financial Support

Appendix 4 – 2023/24 Savings Proposals

Appendix 5 – Capital programme

Appendix 6 – Capital Projects Funded from Prudential Borrowing

Appendix 7 – Capital Bids

Appendix 8 – S25 Statement